The Wolverhampton & Dudley Breweries *Annual report 2000*

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Current financial period ended	30 September 2000
Next financial period ends	29 September 2001
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Half year results	23 May 2001
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Preference shares	
Final dividend	29 December 2000
Interim dividend	29 June 2001
Ordinary shares	
Final dividend	31 January 2001
Interim dividend	29 June 2001
Annual general meeting	26 January 2001

Advisers

Company Secretary and registered office
Leslie Porter ACIS
PO Box 26, Park Brewery, Wolverhampton WV1 4NY

Registrar and transfer office
Lloyds TSB Registrars, 54 Pershore Road South, Kings Norton, Birmingham B22 1AF

Auditors
PricewaterhouseCoopers, Temple Court, Birmingham B4 6JT

Merchant Bankers
N M Rothschild & Sons Limited, New Court, St Swithin's Lane, London EC4P 4DU

Solicitors
Cartwrights, Marsh House, 11 Marsh Street, Bristol BS99 7BB

Freshfields Bruckhaus Deringer, 65 Fleet Street, London EC4Y 1HS

Stockbrokers
Hoare Govett Limited, 250 Bishopsgate, London EC2M 4AA

HSBC Securities, Vintners Place, 68 Upper Thames Street, London EC4V 3BJ

Dazzling pubs, irresistible beers, stunning service and our people's creativity are the catalyst for customer appeal and both employee and shareholder reward.

Year at a glance

* Before goodwill amortisation and exceptional items.

- Pre-tax profits before goodwill amortisation and exceptional items up 29.5% to £65.0m
- Comparable† earnings per share up 4.2% to 56.8p
- Final dividend up 6.0% to 15.52p per share
- Comparable operating margin improved 20.1% in the second half (first half: 16.2%)
- Like-for-like sales 1.1% below last year: positive like-for-like sales in community pubs

† Using a basis which is before goodwill amortisation, exceptional items and FRS 15.

Trading divisions

Retail



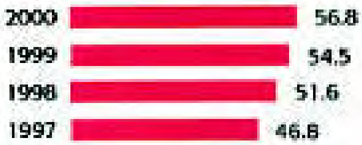
Union Pub Company



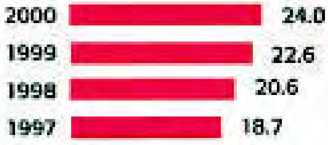
Brands



Earnings per ordinary share before goodwill, exceptional items and FRS 15
p



Dividend per share
p



Turnover by division
£m

- Integration of Marston's and Mansfield acquisitions completed: annualised cost savings of £32.0m per annum realised
- 480 pubs sold: total profit on property disposals £4.6m and stronger trading platform created
- Good progress by key ale and lager brands
- Strategic review under way

Trading summary

The Retail Division manages an estate of 670 community and 182 concept pubs and restaurants, predominantly across the Midlands and in the North of England. The community estate is at the heart of the business, with staff training, pub maintenance and value for money being vital ingredients for success. Our concept outlets include food pub-restaurants, and are managed using distinct operating systems.

	2000	1999
Turnover (£m)	352.4	264.2
Operating profit (£m)	66.7	46.9
Net assets (£m)	599.9	526.6
Number of pubs	852	814
Average weekly sales (£000)	7.9	7.3

The Union Pub Company operates 889 tenanted pubs, predominantly across the Midlands and in the North of England. The success of the business depends upon having good, well motivated tenants, and our unique "Business Builder Agreement" was designed for that reason. The simplicity of this agreement, together with a well maintained estate and a strong brand range, are good foundations for success.

	2000	1999
Turnover (£m)	76.2	51.7
Operating profit (£m)	31.3	19.4
Net assets (£m)	245.3	177.9
Number of pubs	889	937
Average weekly sales (£000)	1.3	1.0

The Brands Division sells a full range of beers, wines, spirits and other drinks. These include own brewed beers, such as Banks's Bitter and Original, Pedigree, Cameron's Strongarm and Mansfield Bitter, and own brewed lagers, including Harp Irish Lager, Kronenbourg and Heineken. Customers include independent free trade, pub companies, brewers, supermarkets, wholesalers, and the Group's own pubs. The major brands have strong market positions, and are supported by television advertising.

	2000	1999
Turnover (£m)	170.2	99.6
Operating profit (£m)	21.3	17.4
Net assets (£m)	197.0	162.9

We have successfully integrated the two major acquisitions we made in 1999, and realised the forecast cost savings. Retail margins were restored in the second half, in line with our plans, and during the year we sold 480 pubs. This activity is reflected in record profits and earnings per share.

Results

Before goodwill amortisation, exceptional items and the new accounting standard, FRS 15, profit before taxation rose 37.3% to £68.9m, and earnings per share rose 4.2% to 56.8p.

Turnover grew 44.1% to £598.8m as a result of the acquisition of Mansfield Brewery plc on 22 December 1999, and a full year's contribution from Marston's, acquired on 5 February 1999. Retail like-for-like sales were 1.1% below last year. There was a strong performance in our community pubs throughout the year. In our concept pubs, there was like-for-like sales progress in the first half, albeit at the expense of margins; promotional activity was subsequently reduced with the result that like-for-like sales in the second half were below the comparable period last year.

Our comparable operating margin rose from 16.2% in the first half to 20.1% in the second half, to yield a margin of 18.3% for the year. This improvement in profitability, along with successful disposals, control of working capital and a reduction in our loan book contributed to a reduction in borrowings from £635.5m at the half-year to £572.1m at the year end.

The introduction of FRS 15 reduced operating profit by £3.9m by depreciating our licensed property holdings. Exceptional costs of £29.9m include £15.8m of reorganisation costs in line with our original estimate, mainly relating to the integration of Mansfield.

Dividends

As a consequence of the improved trading position and enhanced cash flow, we propose a final dividend of 15.52p, making a total of 24.02p for the year, up 6.1%. Subject to the approval of shareholders at the annual general meeting, the final dividend will be paid on 31 January 2001 to those shareholders on the register at the close of business on 3 January 2001.

Mansfield integration

The integration of Mansfield was completed by early summer, creating a single trading platform with integrated systems, pricing and brand management. The speed with which this was achieved is due to the dedication of our people and their focus on establishing a competitive business for the future.

Our people

I would like to thank everyone in the Group for their dedication during a period of great change in the pub and brewery sector, and for their positive actions during the inevitable upheaval of integrating two major acquisitions. In addition, the uncertainties created by the strategic review have been met with forbearance, and have not deflected our team from their concentration on achieving the planned improvement in the second half of the year.

The Board

As announced in May, I will retire from the Board at the annual general meeting, after 16 years as a Director of W&DB.

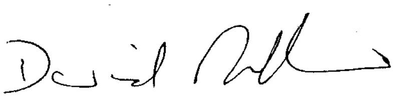
David Thompson has been appointed Deputy Chairman and will take over as Chairman on 26 January 2001. Ralph Findlay will be appointed Chief Executive at that date.

Strategic review and current trading

The year under review has certainly been eventful. First, we acquired Mansfield in December 1999. Second, we instituted a strategic review in the autumn, following an approach to the Company by a potential purchaser. This review is ongoing, and we will inform shareholders of its conclusions as soon as possible.

We previously announced a separate review of our brewing activities. The results of this will be disclosed when we are in a position to report to shareholders on the broader strategic review.

Trading in the current year to date has been in line with expectations despite the exceptionally wet weather, with good margins and cash management.



David Miller CBE *Chairman*

Managing Director's report

Since reporting the half-year results, we have concentrated on improving margins, reducing gearing and driving our core brands and retail trading formats. Through effective integration of our acquisitions, and selective disposals, we have created highly-competitive trading platforms for the future in each of our three divisions.

Review of the year

Our activity this year was focused in eight key areas:

1 Driving profitability and improving returns from our brands

Integrating the Marston's and Mansfield acquisitions provided the opportunity to create a formidable trading platform across the Midlands and North, based on well supported beer brands and superior customer service.

We have achieved annualised cost savings of £32.0m per annum from the integration of these acquisitions, in line with our forecasts, of which £24.0m is reflected in our results this year. This was achieved at a one-off cost of £21.7m, in line with our estimates.

Retail margins were substantially improved in the second half through robust pricing, more effective management of promotions, tighter cost control and the disposal of 31 ex-Marston's and Mansfield pubs, many of which had inherently high costs.

During the year a net £18.1m of free trade loans were redeemed, with a number of customers converting to discount terms. This improved return on capital, and operating margins were reduced as a result.

Our "No Pay, No Dray" exercise, along with a reduction in stock levels and the streamlining of the Group's salesforce and logistics, significantly reduced capital employed and contributed to the improvement in margins in the second half.

Maximising brand profitability within the existing trading boundaries, and through existing trade channels, has been and remains our number one priority.

2 Integrating Mansfield

We acquired Mansfield Brewery plc on 22 December 1999. Integration has been swift. A single trading platform was completed in April, a single pricing and product portfolio completed in May, administrative and head office functions integrated by July, and the Mansfield head office sold successfully for £2.1m in August.

Savings of £12.0m per annum have been made, of which £4.0m contributed to this year's operating result.

3 Yielding benefit from the acquisition of Marston's

We completed the integration of this company, acquired on 5 February 1999. Total savings are £20.0m per annum, all of which contributed to this year's operating result.

Marston's Pedigree widened its distribution in all trade channels. Marston's pubs were successfully integrated within the Group, with community pubs achieving satisfactory like-for-like sales growth. We plan to use the Tavern Tables format as the basis of our destination eating out format; the first conversion of a Milestone Restaurant opened in November.

4 Disposals

During the year we sold 480 pubs for £83.1m, contributing to a profit on disposals of fixed assets of £4.6m. This major rationalisation of less economic outlets has enabled us to create solid trading platforms for each pub division for the future.

5 Supporting our beer brands

All our core brands performed well: the Banks's brand grew volume in the on trade by 4.1% in a market which fell 5.0%, and Marston's Pedigree increased national market share from 8.4% to 8.8%.

We supported each of these brands with television advertising, and continue the roll-out plan for both ale brands and Harp Irish Lager across our enlarged trading territory.

David Thompson, Managing Director (left), with Ralph Findlay, Finance Director.


BANK'S'S
BITTER
IT'S VERY
MOOREISH.

6 Community pub developments

We launched a further development in our community pub operation: The Bostin Local. Eight of these larger-than-average community pubs were converted, and two new pubs constructed in Swindon and Middlesbrough. Sales have been most encouraging, and the return on capital extremely promising.

Capital expenditure during this year and planned expenditure for next year focuses on maximising our competitive advantage through reasonable pricing, raising food sales and the high standards of operation of pubs which are at the heart of their communities.

7 Improving the quality of the Union Pub Company (UPC)

Having sold 435 pubs during the year, the UPC has created a division of 889 top class pubs which offer prospective and existing tenants a successful and well supported business opportunity.

In conjunction with good pubs, well maintained by landlord and tenant alike, we are cementing the trading relationship with our licensees through the Business Builder Agreement. This is now held by 350 licensees, and we plan to reach a total of 500 in 2001. By offering discounts on purchases from the brewery, superior margins and profitability can be achieved.

We also increased revenue expenditure on decoration and fabric of the estate. This programme of improving standards is central to our trading strategy.

8 Creating the W&DB team

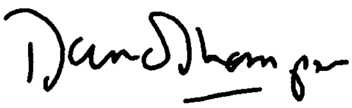
Integrating two major acquisitions, which themselves contained disparate trading divisions, has been a major component of focusing the Group as a whole on profitability and return on capital.

It is pleasing to report that we met the Investor In People standard – a renewal at Banks's, Camerons and Mansfield and a new award for Marston's.

The year ahead

The current strategic review limits the comments we can make on future development. However, the regulatory climate looks less hostile. The costly legislative changes brought about by the Working Time Directive and the National Minimum Wage have imbedded higher costs, but we have put in place strategies to contain further inflation.

The Competition Commission and the Office of Fair Trading have yet to opine on Interbrew and the Beer Orders respectively. W&DB's contribution to a competitive beer market in the Midlands and North and its scale and ability to compete with both national brewers and specialist pub companies has improved steadily throughout the year.



David Thompson *Managing Director*

The highly successful TV advertising campaign for Banks's Bitter which featured former 007 star Roger Moore.

Finance Director's review

Comparability

The Financial Reporting Standard FRS 15 ("Tangible fixed assets") has been adopted in these results. No prior year adjustment in respect of the depreciation charge for buildings has been made, and as a result this year's results are not directly comparable with the 1999 results. The additional depreciation charge included in this year's profit and loss account is £3.9m, which reduces this year's operating profit by the same amount. The depreciation charge introduced as a result of implementing FRS 15 is a continuing non-cash cost.

In addition, the profit and loss account includes a charge of £7.0m in respect of the amortisation of goodwill arising on the acquisitions of Marston's and Mansfield. As at 30 September 2000, the carrying value of goodwill on the balance sheet was £140.7m. Before the introduction of FRS 10 ("Goodwill and intangible assets") in 1998, such goodwill would have been written off against reserves. It is now included within the balance sheet as "Intangible fixed assets" and is being amortised over 20 years.

Where "comparable" analysis is referred to within this review, this means using a basis which is before goodwill amortisation, exceptional items and the new accounting standard FRS 15.

Trading overview

Segmental analysis	Turnover 2000 £m	Turnover 1999 £m	Operating profit 2000 £m	Operating profit 1999 £m	Margin 2000 %	Margin 1999 %	Capital employed 2000 £m	Capital employed 1999 £m
Retail	**352.4**	264.2	**69.0**	46.9	**19.6**	17.8	**599.9**	526.6
Union Pub Company	**76.2**	51.7	**32.6**	19.4	**42.8**	37.5	**245.3**	177.9
Brands	**170.2**	99.6	**21.3**	17.4	**12.5**	17.5	**197.0**	162.9
Central costs	**–**	–	**(13.5)**	(8.3)	**–**	–	**23.9**	16.5
	598.8	415.5	**109.4**	75.4	**18.3**	18.1	**1,066.1**	883.9
FRS 15 charge			**(3.9)**	–	**(0.7)**	–		
Operating profit before amortisation of goodwill and exceptional items			**105.5**	75.4	**17.6**	18.1		

Turnover increased by 44.1%, including £130.0m contributed by Mansfield.

Operating margins excluding FRS 15 were 18.3% compared with 18.1% last year. Margins in the first half-year were reduced by higher employment costs, higher than expected costs in town centre pubs, and significant promotional activity in the first quarter. In the second half-year, raising margin was a key management objective. First-half year comparable operating margin was 16.2%, and in the second half-year it was 20.1%. This improvement was achieved by increasing prices in May 2000, tighter cost control and selective pub disposals.

Margins have also benefited from cost reductions as a consequence of integrating Marston's and Mansfield. The integration process is now effectively complete, with the exception of the planned reorganisation of our brewing activities next year. Total cost savings made as a result of the acquisitions are forecast to be £32.0m per annum, of which £24.0m is reflected in this year's results.

Impact of acquisitions

As explained in the 1999 annual report, the Group acquired Marston, Thompson & Evershed, plc on 5 February 1999 for a total consideration of £295.5m. On 22 December 1999 the Group acquired Mansfield Brewery, plc for a total consideration of £250.4m.

After making these acquisitions, a "fair value" assessment was carried out to establish the value of the separable assets and liabilities of the acquired businesses. That fair value was then compared to the consideration paid, and the difference accounted for as goodwill.

	Notes	Marston's 1999 £m	**Mansfield 2000 £m**	**Total £m**
New shares issued		75.4	**121.3**	**196.7**
Cash cost of shares bought		209.4	**123.4**	**332.8**
Expenses		10.7	**5.7**	**16.4**
Total costs		295.5	**250.4**	**545.9**
Book value of net assets acquired		262.3	**196.6**	**458.9**
Property valuation	1	14.5	**(50.9)**	**(36.4)**
Debentures		(10.2)	**(13.6)**	**(23.8)**
Pensions	2	–	**(3.0)**	**(3.0)**
Deferred taxation	3	0.5	**4.7**	**5.2**
Other	4	(12.5)	**(7.8)**	**(20.3)**
Fair value of assets acquired		254.6	**126.0**	**380.6**
Goodwill before amortisation		40.9	**124.4**	**165.3**

Notes

1 All properties have been independently valued since acquisition.

2 The Mansfield pension scheme was actuarially valued as at 1 April 1999, before acquisition. The valuation highlighted that the costs of operating the Mansfield pension scheme had increased, and the Group made a one-off £3.0m payment into the scheme in order to maintain the existing funding rate.

3 Partial provision has been made for deferred taxation existing at the date of acquisition.

4 Other includes adjustments made to align the accounting policies of the acquired businesses with those of the Group and provisions for bad and doubtful debts.

Goodwill also exists because brands and cost savings have value, although they are not balance sheets assets. The cost savings which will be made as a result of integrating the acquisitions of Marston's and Mansfield are forecast to be £32.0m per annum. Goodwill is accounted for as an Intangible fixed asset and amortised over 20 years.

This year, goodwill has also been adjusted to reflect the fact that a number of pubs from the acquired estates have been sold. As a result, £16.4m is included as a non-cash exceptional item within the profit and loss account.

Exceptional items

Including the goodwill adjustment referred to above, total exceptional items before taxation are £29.9m.

Costs of £15.8m have been incurred this year in integrating the acquisitions of Marston's and Mansfield. Including £5.9m of integration costs charged in 1999, total costs of integration were £21.7m, compared with an initial estimate of £22.0m: £10.0m for the acquisition of Marston's and £12.0m for Mansfield. The integration costs incurred this year were as follows:

	Marston's £m	Mansfield £m	Group £m	Total £m
Redundancy	0.3	5.7	0.4	6.4
Professional	0.3	0.8	0.6	1.7
Financing	–	–	0.2	0.2
Other (see note)	2.3	4.2	1.0	7.5
	2.9	**10.7**	**2.2**	**15.8**

Note

"Other" includes non-cash adjustments to the book values of certain assets acquired but not employed within the enlarged Group (for example, computer equipment), costs of integrating the pub estates and costs associated with beer brand changes.

Other exceptional items include an impairment charge of £1.5m in respect of a small number of retail pubs; £0.8m in respect of bank arrangement fees written off; and the net profit of £4.6m on the disposal of 435 tenanted pubs, 45 managed pubs and unlicensed properties for total proceeds of £90.8m.

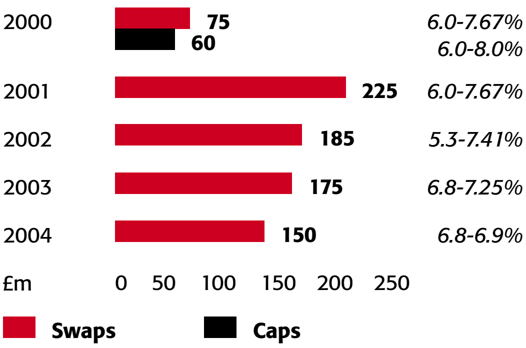
Funding, interest costs and interest rate hedging

Group debt of £572.1m was funded as follows:

Source	Amount £m	Maturity	Fixed/ variable	Rate %
Debentures and other instruments	220	2010-2028	Fixed	6.5-11.5
Term loans	257	2001-2004	Variable	Libor +
Revolving credit facility	103	2004	Variable	Libor +
Gross debt	580			
Cash in hand	(8)			
Net debt	**572**			

The Group's policy for interest rate management is to reduce the risk of exposure to changes in interest rates over the medium term. A proportion of variable rate bank debt is hedged using interest rate hedging instruments as follows:

Interest rate hedging instruments



The effective interest cost of the Group's borrowings was 7.0% (1999: 6.9%). Interest rates increased steadily during the year, with base rates moving from 5.25% to 6.0%.

Taxation

The Group's comparable underlying rate of tax is 28.8% (1999: 29.08%). The effective rate of tax before FRS 15 is slightly lower at 27.1% as a result of adjustments to prior year provisions.

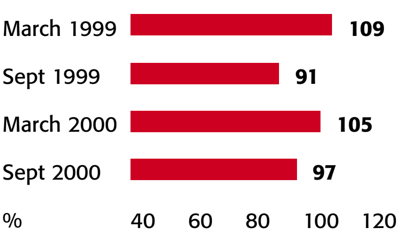
Earnings per share

Comparable earnings per share increased by 4.2% to 56.8p per share.

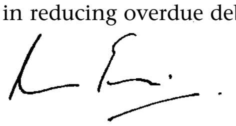
Review of cash flow

Year-end net debt of £572.1m was £138.1m higher than in 1999. The cash cost of acquiring Mansfield, including acquired debt and fees, was £190.0m. This increase in debt was reduced by the proceeds from pub and unlicensed property disposals of £90.8m, and a reduction in the free trade loan book of £18.1m.

Gearing



The Group has implemented new credit control policies and procedures during the year which have had a significant impact in reducing overdue debt, and reducing credit risk.



Ralph Findlay *Finance Director*
24 November 2000

Directors

Back row, from left, David Thompson, Peter Lipscomb, Derek Andrew, Ralph Findlay. Front row, from left, David Miller, Miles Emley, Paddy Linaker.

David Miller CBE (65)* *Chairman, Non-executive Director*
Appointed Director in 1984 and Chairman in 1992. Vice-Chairman, Forth Valley Enterprise, and Director of Scottish Life, J&J Denholm Limited and the Edinburgh Military Tattoo. Former Chairman of the Court of Stirling University and former Director of Coats Viyella plc.

David Thompson (46) *Managing Director*
Joined the Company in 1977 and appointed to the Board in 1980, Managing Director in 1986.

Peter Lipscomb (61)* *Non-executive Director*
Appointed in 2000. Director of GUD Pension Trustees Limited, Macdonald Greenlees Limited, The Portman Group, BLRA and Tomorrow's People Limited. Former Director of Diageo plc and former Deputy Managing Director of Guinness Brewing Worldwide.

Derek Andrew (45) *Managing Director Retail*
Joined the Company in 1980 and appointed to the Board in 1994.

Miles Emley (51)* *Non-executive Director*
Appointed in 1998. Chairman of St Ives plc. Former Director of N M Rothschild & Sons Limited and UBS Phillips & Drew.

Ralph Findlay FCA (39) *Finance Director*
Joined the Company in 1994 and appointed to the Board in 1996.

Paddy Linaker (66)* *Non-executive Director*
Appointed in 1996. Chairman of The Fleming Geared Income and Assets Investment Trust plc, Director of Lloyds TSB Group plc, Charities Investment Managers Limited, Fleming and Mercantile Investment Trust plc. Former Chairman of Fisons plc and Deputy Chairman and Managing Director of M&G Group plc.

*Member of the Remuneration Committee

Directors' report

The Group conducts the following businesses: maltings, breweries, distribution of beer, wine and spirit merchants and pub management. The Company is not a close company within the meaning of the Income and Corporation Taxes Act of 1988, and there has been no change since the period end.

Review

The Directors' report should be read in conjunction with the Chairman's statement, the Managing Director's report and the Finance Director's review, which include information about the Group, the financial performance during the period, and likely developments.

Dividends

The final dividend proposed is 15.52p per ordinary share, making a total of 24.02p for the period ended 30 September 2000. After total preference share dividends of 7.0p per share, the loss transferred to reserves is (£10.0m) (1999: loss (£19.9m)). The final dividend, as proposed and if approved, will be paid on 31 January 2001 to those shareholders on the register at close of business on 3 January 2001.

Policy and practice

Employment policies are based on the provision of appropriate training and career development of our staff. We seek to give equal opportunity and to consider carefully the recruitment of disabled people including those who become disabled during their employment. Job sharing continues to increase. Annual personal appraisals support skill development and commitment to the business. We were assessed against the Investor in People standard in September which, for the first time, covered the entire Group. We are pleased to report that the award of the standard has been confirmed.

Communications aim to increase the understanding and commitment of all our employees through regular briefings and *W&DB News*.

Research and development is either by way of market research, or in conjunction with the Brewing Research Foundation International.

Environmental policy is determined by the Board. Performance against preset objectives is reviewed regularly by a sub-committee of the Board chaired by the Finance Director. Environmental protection is implemented by conducting our operations in a way which complies with all relevant environmental legislation in order to minimise risks of all forms of pollution and noise.

It is the Company's payment policy to follow the CBI's Prompt Payment Code for all suppliers. Copies of the code can be obtained from the Group's registered office. Creditor days at the period end were 51 (1999: 35).

Charitable donations were £13,165 (1999: £12,912).

Year 2000

The Year 2000 programme initiated in 1997 was completed in March 2000. During the period 31 December 1999 to 1 March 2000 there was no disruption to any services or systems.

Directors

The present Directors are shown on page 13. All served throughout the period, with the exception of P W Lipscomb who was appointed on 5 May 2000. A resolution proposing his election will be made at the AGM on 26 January 2001. D G F Thompson and D Andrew retire by rotation and, being eligible, offer themselves for re-election. Each has a rolling two-year service contract. P Gilham resigned on 30 June 2000. C R Stump was appointed on 22 January 2000 and resigned on 22 June 2000.

Interests of Directors

The interests of the Directors and their immediate families as at 30 September 2000* were:

Beneficial	Ordinary shares **2000**	1999
D Andrew	**25,705**	15,705
M L B Emley	**10,400**	400
R G Findlay	**9,500**	4,000
L E Linaker	**2,000**	2,000
P W Lipscomb*	**2,000**	–
J D F Miller	**16,681**	13,870
D G F Thompson	**134,302**	124,139

* or on appointment

In addition, D G F Thompson, R G Findlay and D Andrew are technically treated as having a beneficial interest in the total number of 915,000 ordinary shares (1999: 915,000) held in the ESOP.

Non-beneficial	Ordinary shares **2000**	1999
J D F Miller	**88,215**	137,632
D G F Thompson	**300,266**	336,220

The interests of the Directors in options over the Company's shares are set out on page 17.

No Director had any material interest in any contract of the Group's business during or at the end of the period. There has been no change in Directors' interests between 30 September 2000 and 24 November 2000.

Significant shareholdings

The Company has received notification of the following interests in 3% or more of its issued ordinary share capital as at 30 September 2000:

Ordinary shares	Number	%
Bailey Thomas Trusts	9,281,754	9.8
Silchester International Investors Limited	9,170,070	9.7
Britannic Investment Managers Limited	6,804,464	7.2
Tweedy Browne Company	5,775,600	6.1
M&G Investment Management Limited	4,613,127	4.9
Schroder Investment Management Limited	2,989,417	3.2

Preference shares	Number	%
Mr S J Cockburn	31,548	42.1
Medlock & Medlock Ltd	6,750	9.0
Mrs A Somerville	5,500	7.3
George Mary Allison Ltd	5,500	7.3
Mr D S G Symonds	4,341	5.8
Trustees of Nathaniel P Knowles	4,056	5.4
Mr A W R Medlock	3,657	4.9
Brewin Nominees Ltd	3,250	4.3
Mr A F Southall	2,855	3.8
Arbuthnot Latham (Nominees) Ltd	2,500	3.3

On 7 November 2000 the Company was notified that the interests of Britannic Investment Managers Limited in the ordinary share capital were 6,779,464 shares (7.2%). On 23 November 2000 the Company was notified that the interests of Silchester International Investors Limited in the ordinary share capital were 9,439,070 shares (10.0%).

The Directors have not been notified of any other significant shareholding between 30 September 2000 and 24 November 2000.

Auditors

A resolution for the re-appointment of PricewaterhouseCoopers as Auditors and to authorise the Directors to fix their remuneration will be proposed at the annual general meeting.

AGM special business

Resolution number 7 – authority to issue shares This resolution seeks renewal of the Directors' authority to allot unissued shares up to an aggregate nominal amount of £7,867,793, being one third of the total ordinary share capital of the Company in issue as at 30 September 2000.

Resolution number 8 – disapplication of shareholders' pre-emption rights This resolution seeks renewal of the Directors' authority to issue ordinary shares up to an aggregate nominal amount of £1,180,168, being 5% of the total ordinary share capital of the Company in issue as at 30 September 2000, for cash without offering the shares first to existing shareholders by way of rights.

The authority contained in this resolution will terminate not later than 15 months after the passing of the resolution.

Resolution number 9 – purchase of own shares by the Company The Company's articles of association permit the purchase of the Company's own shares for cancellation, subject to the provisions of the Companies Acts. The Directors consider it desirable, and in the Company's interests, for shareholders to grant the Company authority to exercise this power, within certain limits, to enable it to purchase its own shares in the market. We undertake that the authority will only be exercised if we are satisfied that the purchase will result in an increase in earnings per share and is in the best interests of shareholders generally.

We propose an authority for the Company to purchase its own shares in the market, up to a total of 14,152,586 ordinary shares of 25p each, having an aggregate nominal value of £3,538,146, being 14.99% of the current issued ordinary share capital of the Company.

Recommendation

We consider that the resolutions to be proposed at the annual general meeting are in the best interests of the Company and it is our unanimous recommendation that you support these proposals as we intend to do in respect of our own holdings.

By order of the Board

Leslie Porter *Secretary*
24 November 2000

Board's report on remuneration

The Remuneration Committee ("the Committee") comprises the Non-executive Directors.

Terms of reference

- To determine the salary and terms of employment of Executive Directors
- To determine performance measures and targets for the bonus payments to Executive Directors and Senior Managers
- To set the annual profit target for the Group's Profit Related Bonus
- To award options under the Executive Share Option Schemes

Contracts

D G F Thompson has already voluntarily reduced his three-year rolling contract to a two-year rolling contract without compensation. D Andrew has had a two-year rolling contract since July 1987. It is now policy to offer one-year rolling contracts to new Board Executive appointments; R G Findlay has a one-year rolling contract.

The Committee has reviewed these contracts in the light of current market practice and of the relevant provisions of the Greenbury Code and considers that they are appropriate and in the interests of shareholders, the Company and the individuals.

In the event of termination of any service contract, the Committee will take account of the legal duty of the employee to mitigate the amount of any compensation which may be payable.

Fees earned by Executive Directors outside their employment are not retained. D G F Thompson earned fees of £53,000 (1999: £26,900) which were made payable to the Company.

Salaries and bonuses

Salaries for Executive Directors were reviewed on 1 October 1999 and for Senior Executives on 1 April 2000. Bonus objectives for Executive Directors and Senior Executives for 2000 were set based on a combination of Company Profit Achievement Bonus and Personal Objectives Bonus with a maximum possible bonus of 50.0% and 35.0% respectively of salary, payable in December 2000. A Company Profit Achievement Bonus of 35% of basic salary and a Personal Objectives Bonus of 15% of basic salary in respect of the 52 weeks ended 30 September 2000 will be paid to each Executive Director in December 2000. All such bonuses remain non-pensionable. Bonus objectives for 2001 have been similarly set.

Directors' emoluments

The emoluments of the Directors for their services as Directors of the Company and its subsidiaries for the period ended 30 September 2000 were:

	Salary/ fees £	Bonus £	Benefits £	**Total £ 2000**	Total £ 1999
D Andrew	170,000	85,000	10,389	**265,389**	255,926
M L B Emley	18,000	–	–	**18,000**	17,000
R G Findlay	170,000	85,000	12,987	**267,987**	250,898
P Gilham (to 30 June 2000)	121,740	–	1,897	**123,637**	229,596
L E Linaker	18,000	–	–	**18,000**	17,000
P W Lipscomb (from 5 May 2000)	7,500	–	–	**7,500**	–
J D F Miller	80,000	20,000	–	**100,000**	84,000
C R Stump (from 22 January to 22 June 2000)	54,606	–	4,542	**59,148**	–
D G F Thompson	232,000	116,000	8,949	**356,949**	344,070
	871,846	306,000	38,764	**1,216,610**	1,198,490
Contributions to pension scheme (see page 18)				**159,733**	91,045
				1,376,343	1,289,535

Benefits include private medical insurance, permanent health insurance and car benefits.

The fees relating to the services of M L B Emley were paid to St. Ives plc.

P Gilham received a termination payment of £39,250 on 30 June 2000.

C R Stump received a termination payment of £163,530 on 22 June 2000.

Directors' share options

		Number of shares under option **30 September 2000**	2 October 1999	Option price p	Date of grant	Exercise period From	To
D Andrew	Executive	**2,000**	2,000	467.5	16 Jan 92	15 Jan 97	15 Jan 02
		7,500	7,500	523.5	1 Jul 92	30 Jun 97	30 Jun 02
		500	500	459.0	22 Dec 92	21 Dec 97	21 Dec 02
		5,000	5,000	522.0	20 Jan 94	19 Jan 97	19 Jan 04
		20,000	20,000	544.0	14 Jun 94	13 Jun 97	13 Jun 04
		8,000	8,000	514.0	14 Dec 94	13 Dec 97	13 Dec 04
		8,500	8,500	581.0	2 Jan 96	1 Jan 99	1 Jan 06
		10,000	10,000	683.5	25 Feb 97	24 Feb 00	24 Feb 04
		10,000	10,000	458.5	1 Dec 97	30 Nov 00	30 Nov 04
		24,500	24,500	518.0	26 Jun 98	25 Jun 01	25 Jun 05
		100,000	–	325.5	30 May 00	29 May 03	29 May 07
	SAYE	**–**	4,733	412.0	24 Jun 98	31 Jul 05	31 Jan 06*
		6,633	–	277.0	30 Jun 00	31 Jul 07	31 Jan 08
R G Findlay	Executive	**15,000**	15,000	530.0	31 May 95	30 May 98	30 May 05
		10,000	10,000	581.0	2 Jan 96	1 Jan 99	1 Jan 06
		46,000	46,000	683.5	25 Feb 97	24 Feb 00	24 Feb 04
		3,000	3,000	458.5	1 Dec 97	30 Nov 00	30 Nov 04
		6,500	6,500	518.0	26 Jun 98	25 Jun 01	25 Jun 05
		100,000	–	325.5	30 May 00	29 May 03	29 May 07
	SAYE	**–**	4,186	412.0	24 Jun 98	31 Jul 03	31 Jan 04†
		6,092	–	277.0	30 Jun 00	31 Jul 05	31 Jan 06
D G F Thompson	Executive	**2,000**	2,000	493.0	27 Jun 91	26 Jun 94	26 Jun 01
		14,500	14,500	467.5	16 Jan 92	15 Jan 97	15 Jan 02
		5,000	5,000	523.5	1 Jul 92	30 Jun 97	30 Jun 02
		5,000	5,000	522.0	20 Jan 94	19 Jan 97	19 Jan 04
		32,500	32,500	544.0	14 Jun 94	13 Jun 97	13 Jun 04
		39,000	39,000	581.0	2 Jan 96	1 Jan 99	1 Jan 06
		7,000	7,000	458.5	1 Dec 97	30 Nov 00	30 Nov 04
		7,000	7,000	518.0	26 Jun 98	25 Jun 01	25 Jun 05
		15,000	–	541.0	23 Dec 99	22 Dec 02	22 Dec 06
		180,000	–	325.5	30 May 00	29 May 03	29 May 07
	SAYE	**2,892**	2,892	404.5	1 Jul 93	31 Jul 00	31 Jan 01
		1,839	1,839	424.0	3 Jul 95	31 Jul 02	31 Jan 03
		–	2,839	412.0	24 Jun 98	31 Jul 05	31 Jan 06#
		6,633	–	277.0	30 Jun 00	31 Jul 07	31 Jan 08

D G F Thompson, D Andrew and R G Findlay were each granted an option over 50,000 ordinary shares on 12 January 2000 at 516p per ordinary share under the Executive Share Option Scheme 1997 which they renounced on 8 February 2000.

Executive share options are awarded by the Remuneration Committee at the prevailing market rate on the date of grant to selected employees as a means of long-term incentive. Options are exercisable upon the achievement of stated performance criteria.

The exercise of Executive share options granted under the 1994 and 1997 Schemes is subject to the Company achieving growth in earnings per share in excess of the growth in the retail price index by an average of 2% per year.

The ordinary share price range during the year was between 583.5p and 322.5p with an average price of 439.6p. The ordinary share price on 30 September 2000 was 471p.

* Renounced 30 May 2000

† Renounced 9 June 2000

Renounced 22 June 2000

Directors' pensions

Pension benefits earned by the Directors (note 1)

	Company's pension contributions £	Directors' contributions in the year (note 2) £	Increase in accrued pension during the year (note 3) £ pa	Accumulated total accrued pension at year-end £ pa
D Andrew	23,120	8,500	4,522	61,948
R G Findlay	23,120	8,500	7,301	36,121
P Gilham*	15,198	5,588	5,952	19,390
D G F Thompson	31,552	–	6,179	93,614
C R Stump**	66,743	–	9,981	32,641

* P Gilham resigned on 30 June 2000.

** C R Stump became a Director on 22 January 2000 and resigned on 22 June 2000.

Notes to pension benefits

1 The pension entitlement shown is that which would be paid annually on retirement based on service to the end of the year.

2 These relate to the contributions paid or payable in the year.

3 The increase in accrued pension during the year excludes any increase for inflation.

4 Members of the Scheme have the option to pay Additional Voluntary Contributions, neither the contributions nor the resulting benefits are included in the table above.

The following additional information relates to Directors' pensions:

(a) Normal retirement age: 60.

(b) On death before retirement a lump sum is payable, equal to the Director's contributions. However, some or all of this lump sum may be used to provide a statutory minimum spouse's pension. On death after retirement the spouse's pension payable is two-thirds of the pension which the member was receiving at the date of death.

(c) Early retirement can be taken from age 50 provided the Company gives its consent. The accrued pension will then be reduced to take account of its early payment.

(d) Pension increases will be in line with statutory requirements before and after retirement. In addition, C R Stump will receive increases on pension earned prior to 6 April 1997 in line with increases in the Retail Price Index subject to a maximum of 5% per annum.

(e) There are no discretionary benefits.

R G Findlay and P Gilham participate in unfunded, unapproved retirement benefit schemes. The amount charged in the profit and loss account in respect of these schemes has been included within contributions to pension schemes above.

Pension arrangements

During the year the Company operated four final salary pension schemes and a Group Personal Pension Plan (GPPP).

One scheme was taken on as a result of the Marston's acquisition and this was fully integrated into The Wolverhampton & Dudley Breweries, PLC Pension and Life Assurance Scheme (W&DB Scheme) during the year. Two further schemes were taken on as a result of the Mansfield acquisition, current members of which joined the W&DB Scheme in April. These Schemes are expected to be fully integrated into the W&DB Scheme by December 2000.

During the year the Company contributed 13.6% of the pensionable payroll in respect of the W&DB Constituency, 9.1% in respect of the Marston Constituency and 11.0% in respect of the Mansfield Constituency. Members contributed in accordance with the Rules. All employees in the Final Salary Pension Schemes have death-in-service life assurance cover to the value of between two and four times pensionable salary.

The Company introduced a GPPP for new entrants with effect from 29 September 1997 to which it contributes 7.0% of pensionable salary and individuals contribute a minimum of 3.5% of their pensionable salary. Membership of the GPPP includes death-in-service life assurance cover to the value of between two and four times pensionable salary.

Non-executive Directors' fees

The fees for the Non-executive Directors are set by the Board. The current basic fees were set on 1 October 1999. The Non-executive Directors do not receive any benefits or pension contributions from the Company.

Compliance with Greenbury

The Company complies with the recommendations relating to remuneration committees as made by the Greenbury study group on Directors' remuneration, now incorporated in Section A of the best practice provisions annexed to the Stock Exchange Listing Rules. In formulating its remuneration policy, the Committee gives full consideration to Section B of the best practice provisions annexed to the Stock Exchange Listing Rules.

David Miller CBE *Chairman, Remuneration Committee*

24 November 2000

Corporate governance

Statement of compliance with the provisions of the Combined Code

Compliance

We have complied with the requirements of the Combined Code, a copy of which can be obtained from Gee Publishing Limited, 100 Avenue Road, Swiss Cottage, London NW3 3PG, throughout the period with the following exceptions:

- The Audit Committee comprises the whole Board because we believe that all the Directors have an audit responsibility. It should be noted that the Non-executive Directors as a group meet periodically and privately with the Auditors who have confirmed that this arrangement is acceptable to them. Following a review of Board and committee structures during the year it was agreed to establish a separate Audit Committee consisting solely of the Non-executive Directors as shown below.
- The Nominations Committee is formed on an ad hoc basis and consists of the Chairman, the Managing Director and the Non-executive Directors.
- We have not appointed a Senior Independent Non-executive Director in 1999/2000. J D F Miller, who is the Senior Non-executive Director, is not considered to be independent because of his long service. However, the Board recognises that his diverse business experience ensures his independence of management. Miles Emley has been appointed the Senior Independent Non-executive Director with effect from 1 October 2000, see below.

Internal control

The Company has adopted the transitional approach permitted by the London Stock Exchange in connection with this aspect of the Combined Code. In March 2000 the Executive Directors and the Senior Management, assisted by PricewaterhouseCoopers, conducted a substantial review during which key areas of risk were identified both throughout the Group and in individual departments. The Executive Directors examine, and report to the Board as necessary, the procedures necessary to implement in full the guidance on internal control produced by the Turnbull Committee.

Management of risks throughout the business is reviewed at the Monthly Operations and Plans meetings and at other meetings where the development of risk management strategies is reviewed and reports made to the Board relating to the identified risk issues within the business. Risk and litigation issues are also reviewed by the Managing Director and the Company Secretary at monthly review meetings.

The Board acknowledges that it is responsible for the Company's systems of internal control and for reviewing their effectiveness.

The Board of Directors

The Board comprises four Non-executive Directors, one of whom is the Chairman, and three Executive Directors. The Non-executive Directors all exercise independent judgement and have a wide range of skills and experience. During the period under report, Board responsibilities were reviewed and with effect from 1 October 2000, the following new structure has been established:

Senior Independent Non-executive Director:	M L B Emley
Remuneration Committee:	P W Lipscomb (Chairman), M L B Emley, L E Linaker, with R G Findlay in attendance if required
Audit Committee:	M L B Emley (Chairman), L E Linaker, P W Lipscomb
Nominations Committee:	P W Lipscomb (Chairman), M L B Emley, R G Findlay, L E Linaker, D G F Thompson

The Executive Directors comprise the Executive Committee, which meets weekly. The Non-executive Directors are briefed on the decisions reached by the Executive Committee, including those involving risk management and health and safety issues.

The Board meets 11 times each year in the normal course of business and additionally as required. It has a formal schedule of matters reserved to it for approval, ensuring that it considers strategic, financial, organisational and compliance matters with timely information provided in advance of each meeting. All Directors receive within their Board papers details of the Group's performance against budget.

Regular presentations are received from Senior Management of the Divisions of the Company at Board meetings. All Directors have access to the services of the Company Secretary and access to independent professional/legal advice, if required, at the Company's expense.

Board appointments are considered by the Nominations Committee; Non-executive Directors are appointed for terms of three years. All Directors are subject to election at the first opportunity following appointment and to re-election at intervals not exceeding three years.

Appropriate training and briefing, including a full induction programme, are available to all Directors on appointment to the Board.

Communication with shareholders

Regular meetings and presentations take place with institutional shareholders. The annual general meeting is also an important forum, giving all shareholders the opportunity to raise questions with the Board.

At the annual general meeting the Chairman announces the results of proxy voting on each resolution after it has been dealt with on a show of hands.

Internal financial control

The Board is responsible for and has reviewed the effectiveness of the Group's internal financial controls and is responsible for ensuring that information supplied to shareholders presents a balanced assessment of the Group's position.

The Group has a structured executive management process through which day-to-day control is effected. This process is carried out by the Management Committee, the members of which all have business function responsibilities.

The system of internal financial controls includes the following key processes:

- A detailed formal budgeting process for all Group activities culminates in an annual Group budget which is approved by the Board. Actual performance is monitored against the budget monthly by the Board and Management Committee. As part of this process, major business risks are identified and appropriate plans developed to address any financial implications. Revised forecasts are proposed for review by the Board during the year.
- Significant treasury, cash management and investment matters are reviewed and sanctioned by the Board. The Group has defined procedures for the appraisal, review and control of capital expenditure, including approval limits and required rates of return.
- There is a system of detailed delegated authorities in place. Spending limits, and issues reserved either to the Board or to functional specialists, are documented. These authorities are communicated across the Group.

Relationship with Auditors

The Audit Committee monitors the relationship with the Auditors, agrees their scope of work and fees and reviews the results of the full-year audit and interim review each year.

The Committee assesses the cost-effectiveness, objectivity and independence of the Auditors from time to time.

Going concern

The Directors are confident, having reviewed the Group's budget for the 52 weeks to 29 September 2001 and relevant plans beyond that date, that the Group and the Company have adequate resources to continue in operation for the foreseeable future. This process included an analysis of business operating plans, proposed capital expenditure and of the associated cash flow projections. It also included a comparison of results and ratios with the Group's committed borrowing facilities.

By Order of the Board

Leslie Porter *Secretary*
24 November 2000

Statement of Directors' responsibilities

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis.

The Directors consider that they have complied fully with the above requirements in preparing the financial statements on pages 22 to 39.

The Directors are also responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Company and the Group, and to enable them to ensure that financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Leslie Porter *Secretary*
24 November 2000

Auditors' report to the members of The Wolverhampton & Dudley Breweries, PLC

We have audited the financial statements on pages 22 to 39 (including the additional disclosures on pages 16 to 18 relating to the remuneration of the Directors specified for our review by the Listing Rules of the Financial Services Authority).

Respective responsibilities of Directors and Auditors

The Directors are responsible for preparing the annual report. As described on page 20, this includes responsibility for preparing the financial statements, in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board, the Listing Rules of the Financial Services Authority and our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the United Kingdom Companies Act. We also report to you if, in our opinion, the Directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law or the Listing Rules regarding Directors' remuneration and transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

We review whether the statement on pages 19 to 20 reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or to form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group at 30 September 2000 and of the loss and cash flows of the Group for the 52 weeks then ended, and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers *Chartered Accountants and Registered Auditors*
Birmingham
24 November 2000

Group profit and loss account

for the 52 weeks ended 30 September 2000	Notes	2000 Before exceptionals £m	2000 Exceptional items (note 4) £m	2000 Total £m	1999 Before exceptionals £m	1999 Exceptional items (note 4) £m	1999 Total £m
Turnover – continuing operations		**468.8**	**–**	**468.8**	281.7	–	281.7
– acquisitions		**130.0**	**–**	**130.0**	133.8	–	133.8
Total turnover	*1*	**598.8**	**–**	**598.8**	415.5	–	415.5
Trading expenses	*3*	**(493.3)**	**(17.3)**	**(510.6)**	(340.1)	(36.4)	(376.5)
Operating profit before goodwill amortisation/impairment		**105.5**	**(17.3)**	**88.2**	75.4	(36.4)	39.0
Goodwill amortisation/impairment – continuing operations		**(2.2)**	**(6.0)**	**(8.2)**	–	–	–
– acquisitions		**(4.8)**	**(10.4)**	**(15.2)**	(1.2)	–	(1.2)
Operating profit after goodwill amortisation/impairment		**98.5**	**(33.7)**	**64.8**	74.2	(36.4)	37.8
Operating profit – continuing operations		**80.8**	**(12.6)**	**68.2**	50.5	(28.1)	22.4
– acquisitions		**17.7**	**(21.1)**	**(3.4)**	23.7	(8.3)	15.4
Total operating profit		**98.5**	**(33.7)**	**64.8**	74.2	(36.4)	37.8
Property disposals	*1*	**–**	**4.6**	**4.6**	–	0.8	0.8
Loss on disposal of associates		**–**	**–**	**–**	–	(0.1)	(0.1)
Profit on ordinary activities before interest		**98.5**	**(29.1)**	**69.4**	74.2	(35.7)	38.5
Interest	*6*	**(40.5)**	**(0.8)**	**(41.3)**	(25.2)	(5.4)	(30.6)
Profit on ordinary activities before taxation		**58.0**	**(29.9)**	**28.1**	49.0	(41.1)	7.9
Profit on ordinary activities before taxation		**58.0**			49.0		
Add back goodwill amortisation		**7.0**			1.2		
Profit on ordinary activities before taxation and goodwill amortisation		**65.0**			50.2		
Taxation	*7*	**(18.7)**	**3.1**	**(15.6)**	(14.6)	2.8	(11.8)
Profit/(loss) on ordinary activities after taxation	*9*	**39.3**	**(26.8)**	**12.5**	34.4	(38.3)	(3.9)
Dividends paid and proposed	*10*			**(22.5)**			(16.0)
Loss for the period transferred to reserves	*21*			**(10.0)**			(19.9)
Basic earnings per share	*11*			**14.1p**			(6.0p)
Basic earnings per share before the effect of goodwill amortisation and exceptional items	*11*			**52.4p**			54.5p
Basic earnings per share before the effect of goodwill amortisation, exceptional items and FRS 15	*11*			**56.8p**			54.5p
Diluted earnings per share	*11*			**13.8p**			(6.0p)
Diluted earnings per share before the effect of goodwill amortisation and exceptional items	*11*			**51.3p**			54.5p
Diluted earnings per share before the effect of goodwill amortisation, exceptional items and FRS 15	*11*			**55.7p**			54.5p

The notes on pages 26 to 39 form part of these accounts.

Group cash flow statement

for the 52 weeks ended 30 September 2000	Notes	2000 £m	2000 £m	1999 £m	1999 £m
Cash flow from operating activities	22		**117.5**		103.7
Returns on investments and servicing of finance					
Interest received		**2.1**		1.0	
Interest paid		**(44.0)**		(25.5)	
Arrangement costs of new bank facilities		**(3.2)**		(5.8)	
Net cash (outflow) for returns on investments and servicing of finance			**(45.1)**		(30.3)
Taxation			**(15.7)**		(24.5)
Capital expenditure and financial investment					
Purchase of tangible fixed assets		**(36.8)**		(41.2)	
Sale of tangible fixed assets		**85.3**		76.5	
Purchase of investments		**(0.4)**		–	
Decrease in trade and other loans		**18.1**		12.4	
Net cash inflow for capital expenditure and financial investment			**66.2**		47.7
Acquisitions and disposals					
Purchase of investment in subsidiaries		**(129.2)**		(220.0)	
Purchase of debt of subsidiaries		**(60.9)**		(81.0)	
Sale of investment in associated undertakings		**0.3**		–	
Net cash (outflow) for acquisitions and disposals			**(189.8)**		(301.0)
Equity dividends paid			**(18.3)**		(12.9)
Cash (outflow) before use of liquid resources and financing			**(85.2)**		(217.3)
Financing					
Repurchase of share capital		**–**		(4.0)	
Issue of ordinary share capital		**0.6**		0.8	
Debt due within one year		**38.4**		(4.1)	
Finance leases		**(0.5)**		–	
Debt due beyond one year – debenture		**–**		0.2	
Debt due beyond one year – bank loan		**47.0**		226.0	
Net cash inflow from financing			**85.5**		218.9
Increase in cash in the period			**0.3**		1.6
Reconciliation of net cash flow to movement in net debt					
Increase in cash in the period		**0.3**		1.6	
Cash inflow from increase in debt		**(84.9)**		(222.1)	
Change in debt resulting from cash flows	23		**(84.6)**		(220.5)
Debt acquired with subsidiaries	23		**(53.5)**		(47.1)
Movement in net debt in the period			**(138.1)**		(267.6)
Net debt at 2 October 1999	23		**(434.0)**		(166.4)
Net debt at 30 September 2000	23		**(572.1)**		(434.0)

The notes on pages 26 to 39 form part of these accounts.

Supporting statements

Statement of total recognised gains and losses

for the 52 weeks ended 30 September 2000	Group 2000 £m	Group 1999 £m	Company 2000 £m	Company 1999 £m
Profit/(loss) on ordinary activities after taxation	**12.5**	(3.9)	**17.0**	(19.1)
Property revaluation adjustment	**(0.8)**	31.9	**(0.8)**	31.9
Total recognised gains relating to the period	**11.7**	28.0	**16.2**	12.8

Historical cost profits and losses

for the 52 weeks ended 30 September 2000	Group 2000 £m	Group 1999 £m	Company 2000 £m	Company 1999 £m
Profit on ordinary activities before taxation	**28.1**	7.9	**30.1**	15.0
Realisation of property revaluation gains of previous years	**7.2**	1.2	**7.2**	1.2
Difference between the historical cost depreciation charge and the actual depreciation charge for the period calculated on the revalued amount	**0.1**	0.4	**0.1**	0.4
Historical cost profit on ordinary activities before taxation	**35.4**	9.5	**37.4**	16.6
Historical cost (loss)/profit for the period after taxation and dividends	**(2.7)**	(18.3)	**1.7**	(3.5)

Reconciliation of movements in shareholders' funds

for the 52 weeks ended 30 September 2000	Group 2000 £m	Group 1999 £m	Company 2000 £m	Company 1999 £m
Profit/(loss) on ordinary activities after taxation	**12.5**	(3.9)	**17.0**	(19.1)
Dividends	**(22.5)**	(16.0)	**(22.5)**	(16.0)
(Loss) for period transferred to reserves	**(10.0)**	(19.9)	**(5.5)**	(35.1)
New share capital subscribed	**121.9**	76.1	**121.9**	76.1
Property revaluation adjustment	**(0.8)**	31.9	**(0.8)**	31.9
Net addition to shareholders' funds	**111.1**	88.1	**115.6**	72.9
Opening shareholders' funds	**478.5**	390.4	**449.9**	377.0
Closing shareholders' funds	**589.6**	478.5	**565.5**	449.9

The notes on pages 26 to 39 form part of these accounts.

Balance sheets

as at 30 September 2000	*Notes*	Group 2000 £m	Group 1999 £m	Company 2000 £m	Company 1999 £m
Fixed assets					
Intangible assets	*12*	**140.7**	35.7	**–**	–
Tangible assets	*13*	**993.2**	849.0	**656.1**	704.5
Investments	*14*	**81.9**	73.4	**6.7**	5.8
		1,215.8	958.1	**662.8**	710.3
Current assets					
Stocks	*15*	**19.4**	14.6	**–**	–
Debtors	*16*	**53.3**	47.3	**276.1**	202.3
Cash at bank and in hand		**7.8**	7.5	**72.3**	53.1
		80.5	69.4	**348.4**	255.4
Creditors – amounts falling due within one year	*17*	**(149.5)**	(108.0)	**(277.9)**	(287.7)
Net current (liabilities)/assets		**(69.0)**	(38.6)	**70.5**	(32.3)
Total assets less current liabilities		**1,146.8**	919.5	**733.3**	678.0
Creditors – amounts falling due after more than one year	*18*	**(557.2)**	(440.8)	**(167.8)**	(228.1)
		589.6	478.7	**565.5**	449.9
Capital and reserves					
Equity share capital	*20*	**23.6**	17.9	**23.6**	17.9
Non-equity share capital	*20*	**0.1**	0.1	**0.1**	0.1
Called-up share capital	*20*	**23.7**	18.0	**23.7**	18.0
Share premium account	*21*	**198.9**	82.7	**198.9**	82.7
Revaluation reserve	*21*	**170.6**	178.6	**170.4**	178.4
Capital redemption reserve	*21*	**3.2**	3.2	**3.2**	3.2
Capital reserve	*21*	**0.4**	0.4	**0.4**	0.4
Profit and loss account	*21*	**192.8**	195.6	**168.9**	167.2
Shareholders' funds including non-equity interests of £0.1m (1999: £0.1m)		**589.6**	478.5	**565.5**	449.9
Equity minority interest		**–**	0.2	**–**	–
Capital employed		**589.6**	478.7	**565.5**	449.9

The financial statements on pages 22 to 39 were approved by the Board and were signed on its behalf by:

Ralph Findlay *Finance Director*
24 November 2000

The notes on pages 26 to 39 form part of these accounts.

Notes to the accounts

1 Accounting policies

(a) Accounting convention

The accounts have been prepared under the historical cost convention, as modified by the revaluation of certain freehold and leasehold properties and in accordance with applicable accounting standards.

FRS 15 "Tangible fixed assets", has been adopted by the Group for the year ended 30 September 2000.

(b) Basis of consolidation

The Group accounts include the assets, liabilities and results for the period of the Company and its subsidiary undertakings.

(c) Turnover and other operating income

Turnover comprises sales, rents receivable from licensed properties and other trading income of the Group, exclusive of intra-Group transactions and VAT, and arises entirely from operations in the United Kingdom. Other operating income comprises mainly rents from unlicensed properties.

(d) Stocks

Stocks are stated at the lower of cost and net realisable value, cost including direct materials and a proportion of appropriate overheads.

(e) Deferred taxation

Deferred taxation is provided on accelerated capital allowances and other timing differences, only to the extent that it is probable that a liability will crystallise.

(f) Tangible fixed assets

(i) Freehold and leasehold properties are stated at valuation or at cost. Plant, furnishings, equipment and other similar items are stated at cost.

(ii) Freehold buildings are fully depreciated over 50 years following the implementation of FRS 15.

(iii) Other tangible fixed assets are depreciated on a straight line basis at rates calculated to provide for the cost of the assets over their anticipated useful lives. Accordingly, industrial properties are depreciated over 50 years, leasehold properties less than 50 years over the period of the lease and other tangible assets over periods ranging from 3 to 15 years.

Valuation of properties

Trading properties are revalued professionally by independent valuers. When a valuation is below current carrying value the asset concerned is reviewed for impairment. Impairment losses are charged either to the revaluation reserve to the extent that a previous gain has been recorded, or to the profit and loss account.

(g) Profit on property and investment disposals

Profit on property and investment disposals is calculated by comparing sale proceeds with the ascribed valuation or historic cost carrying value.

(h) Pensions

Pension costs for the Group's Final Salary Pension Scheme are charged to the profit and loss account so as to spread the cost of pensions over the average working life of employees, in accordance with the recommendations of qualified actuaries. Variations from the regular cost are spread over the average remaining service lives of the employees.

(i) ESOP

In accordance with the requirements issued in UITF abstract 13 (Accounting for ESOP trusts) the assets of the trust are recognised as fixed asset investments until the shares have been vested unconditionally to specific employees. Any permanent diminution in the value of the shares is recognised immediately as a charge to the profit and loss account.

(j) Goodwill

Goodwill arising on consolidation represents the excess of the consideration given over the fair value of the identifiable net assets acquired. Goodwill is capitalised and amortised through the profit and loss account over its estimated useful economic life. The Directors have considered the useful economic life of the assets purchased and have decided, in the absence of concrete evidence to the contrary, to amortise the goodwill arising on the purchase over 20 years (in line with the maximum write-off period permitted under FRS 10). The Directors consider the carrying value of goodwill and make appropriate adjustments to reflect the disposal of certain of the assets to which it relates. Where goodwill is impaired the charge is taken to the profit and loss account as exceptional in accordance with FRS 10.

(k) Leases

Rental costs under operating leases are charged to the profit and loss account over the term of the lease.

The cost of assets held under finance leases are included within tangible fixed assets and depreciation is provided in accordance with the policy for the class of asset concerned. The corresponding obligations under these leases are shown as creditors. The finance charge element of rentals is charged to the profit and loss account as incurred.

(l) Financial instruments

The financial costs of debt instruments are charged to the profit and loss account over the term of the debt at a constant rate on the carrying amount.

2 Business segmental analysis

	2000 Turnover £m	2000 Operating profit £m	2000 Net assets £m	1999 Turnover £m	1999 Operating profit £m	1999 Net assets £m
Retail	**352.4**	**66.7**	**599.9**	264.2	46.9	526.6
Union Pub Company	**76.2**	**31.3**	**245.3**	51.7	19.4	177.9
Brands	**170.2**	**21.3**	**197.0**	99.6	17.4	162.9
Central costs	**–**	**(13.8)**	**23.9**	–	(8.3)	16.5
	598.8	**105.5**	**1,066.1**	415.5	75.4	883.9
Goodwill	**–**	**(7.0)**	**140.7**	–	(1.2)	35.7
Debt, tax, dividends, ACT and ESOP	**–**	**–**	**(617.2)**	–	–	(440.9)
	598.8	**98.5**	**589.6**	415.5	74.2	478.7

The segmental analysis includes the following amounts in respect of businesses acquired during the period:

	2000 Turnover £m	2000 Operating profit £m	1999 Turnover £m	1999 Operating profit £m
Retail	**64.4**	**11.4**	76.0	11.0
Union Pub Company	**22.4**	**10.7**	24.9	10.0
Brands	**43.2**	**4.2**	32.9	6.5
Central costs including goodwill amortisation	**–**	**(8.6)**	–	(3.8)
	130.0	**17.7**	133.8	23.7

The goodwill can be attributed to the business segments as follows:

	2000 Operating profit £m	2000 Net assets £m	1999 Operating profit £m	1999 Net assets £m
Retail	**(2.1)**	**44.7**	(0.3)	9.7
Union Pub Company	**(1.8)**	**29.6**	(0.3)	8.7
Brands	**(1.0)**	**19.8**	(0.2)	4.6
Central costs	**(2.1)**	**46.6**	(0.4)	12.7
	(7.0)	**140.7**	(1.2)	35.7

3 Trading expenses

	Continuing operations £m	Acquisitions £m	2000 £m	Continuing operations £m	Acquisitions £m	1999 £m
Change in stocks of finished goods and work in progress	**(5.6)**	**(0.7)**	**(6.3)**	4.5	–	4.5
Own work capitalised	**–**	**–**	**–**	–	0.1	0.1
Other operating income	**2.9**	**0.4**	**3.3**	2.2	–	2.2
Raw materials, consumables and excise duties	**(177.2)**	**(53.7)**	**(230.9)**	(133.5)	(20.2)	(153.7)
Depreciation	**(24.5)**	**(6.6)**	**(31.1)**	(18.2)	(7.1)	(25.3)
Employee costs (see note 5)	**(97.0)**	**(22.9)**	**(119.9)**	(72.3)	(18.7)	(91.0)
Employee bonus (see note 5)	**(3.5)**	**(0.3)**	**(3.8)**	(2.3)	–	(2.3)
Other operating charges – all land and buildings	**(82.0)**	**(24.2)**	**(106.2)**	(52.8)	(22.7)	(75.5)
Income from fixed asset investments	**1.1**	**0.5**	**1.6**	0.9	–	0.9
Costs of reorganisation and restructuring	**(5.1)**	**(10.7)**	**(15.8)**	(2.2)	(3.7)	(5.9)
Valuation adjustment	**(1.5)**	**–**	**(1.5)**	(28.1)	–	(28.1)
Morland bid	**–**	**–**	**–**	–	(2.4)	(2.4)
Goodwill amortisation	**(2.2)**	**(4.8)**	**(7.0)**	–	(1.2)	(1.2)
Goodwill impairment	**(6.0)**	**(10.4)**	**(16.4)**	–	–	–
	(400.6)	**(133.4)**	**(534.0)**	(301.8)	(75.9)	(377.7)

Fees paid to PricewaterhouseCoopers:	2000 £m	1999 £m
Audit fees	**0.2**	0.2
Taxation fees	**–**	0.1
Other fees	**1.1**	2.4

Included in audit fees above is £0.1m (1999: £0.1m) in respect of the Company.

4 Exceptional items

	2000 £m	1999 £m
Charged against operating profit		
Morland bid costs	–	2.4
Costs of reorganisation and restructuring	**15.8**	5.9
Valuation adjustment	**1.5**	28.1
Goodwill impairment	**16.4**	–
	33.7	36.4
Non-operating items		
Net gain on disposal of trading properties	**(4.6)**	(0.8)
Loss on disposal of associates	–	0.1
Bank arrangement costs	**0.8**	5.4
	29.9	41.1

A full explanation of each material exceptional item is given in the Finance Director's review on pages 10 to 12.

5 Staff costs and Directors' emoluments

	2000 £m	1999 £m
Wages and salaries	**108.6**	82.1
Bonus	**3.8**	2.3
Social security costs	**7.0**	5.2
Pension costs	**4.3**	3.7
	123.7	93.3

Redundancy costs of £6.4m have been charged as exceptional items (1999: £4.1m).

The average number of employees was:	2000	1999
Full-time	**6,371**	5,702
Part-time	**9,965**	10,252

During the year, the Group operated a Final Salary Pension Scheme for employees who joined the Scheme prior to 29 September 1997. The funds of the Scheme are administered by trustees and are separate from the Group. A valuation of the Scheme was carried out on 1 October 1998. This resulted in a long-term Company contribution rate of 13.6% of members' total earnings.

The assumptions that have the most significant effect on the funding position of the Scheme are those relating to the differences between the long-term rate of return on investments and the rates of increase in earnings. The 1998 valuation for the Scheme assumed that investment returns over the long term would exceed salary growth by 2.75% per annum; further, due to stock market conditions prevailing on 1 October 1998 an additional investment return of 0.5% per annum was assumed prior to each member's retirement. The market value of the Scheme assets was £53.4m, which was sufficient to cover 94% of members' accrued benefits, after allowing for future increases in earnings at the long-term rate.

The Company contribution rate recommended by the actuaries rose from 10.0% to 13.6% from 1 April 1999. The Scheme was closed to new entrants on 29 September 1997. A Group Personal Pension Plan has been made available to eligible employees since that date.

Following the Marston's acquisition a further Final Salary Scheme existed for Marston's employees. A valuation was carried out as at 6 April 1998 when the market value of the Scheme assets was £48.2m. These were sufficient to cover 110% of the members' benefits. The long-term Company contribution rate was calculated as 12.4% of members earnings for future service. The current contribution is 9.1% of earnings. This Scheme was integrated into The Wolverhampton & Dudley Breweries, PLC Pension and Life Assurance Scheme (W&DB Scheme) during the year.

Following the Mansfield acquisition, two further Final Salary Schemes exist for Mansfield employees. Valuations were carried out as at 1 April 1999 when the market value of the Schemes' assets were £36.7m and £8.8m respectively. These were sufficient to cover 97% and 108% of the members' benefits respectively. The long-term Company contribution rate was calculated as 13.5% of members' earnings for future service. The Company paid in a lump sum of £3.0m during the year and current contributions are 11.0% of earnings. Members transferred to the W&DB Scheme in April for future service and the Schemes are expected to be fully integrated into the W&DB Scheme by December.

A provision of £2.6m (1999: £2.1m) is included in creditors representing the cumulative excess of pension costs charged to the profit and loss account over the Company contributions paid.

Director's emoluments

These are set out in the Board's report on remuneration on pages 16 to 18.

6 Bank overdraft and other interest payable

	2000 £m	1999 £m
Bank interest payable	**27.5**	14.9
Debenture interest payable	**15.6**	11.3
Unwinding of fair value adjustment	**(2.7)**	(1.0)
Other interest payable	**0.2**	0.2
Other interest receivable	**(0.1)**	(0.2)
	40.5	25.2

7 Taxation

	2000		1999	
	£m	£m	£m	£m
The charge to the profit and loss account comprises:				
Corporation tax on profit before exceptional items, property and investment disposals				
for the year at 30% (1999: 30.5%)	**18.7**		15.2	
Adjustment in respect of prior years	**(0.9)**		(0.5)	
Deferred taxation	**0.9**		(0.1)	
		18.7		14.6
Corporation tax on exceptional items at 30% (1999: 30.5%)		**(3.1)**		(2.8)
		15.6		11.8

8 Deferred taxation

	Group		Company	
	2000 £m	1999 £m	2000 £m	1999 £m
The amount recognised in respect of deferred taxation is as follows:				
Excess of capital allowances over accumulated depreciation	**5.0**	–	**–**	–
Other timing differences	**(8.5)**	(3.5)	**(7.3)**	(3.5)
Accrued pension costs	**(0.7)**	(0.6)	**–**	–
	(4.2)	(4.1)	**(7.3)**	(3.5)

There is an unprovided amount of £20.0m (1999: £20.0m) in respect of the excess of capital allowances over accumulated depreciation. No account has been taken of the liability to tax if freehold and leasehold properties were to be disposed of at their balance sheet amounts as it is expected that the properties will generally be retained by the Group.

9 Profit after taxation

As permitted by the Companies Act 1985 a separate profit and loss account for the Company has not been prepared. The profit after taxation dealt with in the accounts of the Company was £17.0m (1999: loss £19.1m).

10 Dividends

	2000 £m	1999 £m
Ordinary shares		
Interim paid 8.50p per share (1999: 8.0p)	**7.9**	5.6
Final proposed 15.52p per share (1999: 14.64p)	**14.6**	10.4
Total dividend on ordinary shares 24.02p per share (1999: 22.64p)	**22.5**	16.0
Preference shares		
Interim dividend paid 3.0p per share (1999: 3.0p)	**–**	–
Final proposed 4.0p per share (1999: 4.0p)	**–**	–
Dividend on preference shares 7.0p per share (1999: 7.0p) total £5,250 (1999: £5,250)	**–**	–
Total dividends	**22.5**	16.0

11 Earnings per ordinary share

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the period, excluding those held in the Employee Share Ownership Plan (ESOP, see note 14) which are treated as cancelled.

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. These represent share options granted to employees where the exercise price is less than the weighted average market price of the Company's shares during the period.

Supplementary earnings per share figures are presented. These exclude the effects of exceptional items, goodwill amortisation and FRS 15. The Directors consider that the supplementary figures provide a useful additional indication of performance.

	2000			1999		
	Earnings £m	**Weighted average number of shares m**	**Per share amount Pence**	Earnings £m	Weighted average number of shares m	Per share amount Pence
Basic earnings per share	**12.5**	**88.4**	**14.1**	(3.9)	65.2	(6.0)
Effect of dilutive options	**–**	**1.7**	**–**	–	0.1	–
Diluted earnings per share	**12.5**	**90.1**	**13.8**	(3.9)	65.3	(6.0)
Supplementary earnings per share figures						
Basic earnings per share	**12.5**	**88.4**	**14.1**	(3.9)	65.2	(6.0)
Effect of:						
Exceptional items	**26.8**	**88.4**	**30.4**	38.3	65.2	58.7
Goodwill amortisation	**7.0**	**88.4**	**7.9**	1.2	65.2	1.8
Basic earnings per share before goodwill amortisation and exceptional items	**46.3**	**88.4**	**52.4**	35.6	65.2	54.5
Effect of:						
FRS 15	**3.9**	**88.4**	**4.4**	–	65.2	–
Basic earnings per share before goodwill amortisation, exceptional items and FRS 15	**50.2**	**88.4**	**56.8**	35.6	65.2	54.5
Diluted earnings per share	**12.5**	**90.1**	**13.8**	(3.9)	65.3	(6.0)
Effect of:						
Exceptional items	**26.8**	**90.1**	**29.7**	38.3	65.3	58.7
Goodwill amortisation	**7.0**	**90.1**	**7.8**	1.2	65.3	1.8
Diluted earnings per share before goodwill amortisation and exceptional items	**46.3**	**90.1**	**51.3**	35.6	65.3	54.5
Effect of:						
FRS 15	**3.9**	**90.1**	**4.4**	–	65.3	–
Diluted earnings per share before goodwill amortisation, exceptional items and FRS 15	**50.2**	**90.1**	**55.7**	35.6	65.3	54.5

12 Intangible assets

Group	**2000 £m**	1999 £m
At 2 October 1999	**35.7**	–
Goodwill arising on acquisition	**128.4**	36.9
Impairment of goodwill	**(16.4)**	–
Amortisation to profit and loss account	**(7.0)**	(1.2)
At 30 September 2000	**140.7**	35.7

As required by FRS 10 "Goodwill and intangible assets" the Group undertook an impairment review of acquisitions. The review indicated that an impairment provision of £16.4m was required as a result of the disposal of certain of the fixed assets to which it related. Cumulative amortisation of goodwill amounts to £24.6m.

13 Tangible fixed assets

Group	Freehold properties £m	Leasehold properties Over 50 years unexpired £m	Leasehold properties Under 50 years unexpired £m	Plant and machinery £m	Fixtures, fittings, tools and equipment £m	Total £m
Cost or valuation						
At 2 October 1999	652.6	41.7	17.9	48.2	206.6	967.0
Revaluation	(3.7)	(0.6)	(1.2)	–	–	(5.5)
Transfers between short and long leases	–	(10.6)	10.6	–	–	–
Additions	11.3	0.4	0.7	4.8	19.1	36.3
Acquisitions	180.1	14.7	6.7	5.3	26.4	233.2
Disposals	(62.4)	(5.5)	(5.9)	(5.0)	(22.3)	(101.1)
Transfers	(2.6)	0.4	2.2	–	–	–
At 30 September 2000	**775.3**	**40.5**	**31.0**	**53.3**	**229.8**	**1,129.9**
Depreciation						
At 2 October 1999	3.9	0.6	2.1	22.0	89.4	118.0
Revaluation	(3.7)	(0.6)	(1.2)	–	–	(5.5)
Charge for the period	4.6	–	1.2	5.8	22.5	34.1
Depreciation on disposals	–	–	–	(4.2)	(7.2)	(11.4)
Impairment	1.4	0.1	–	–	–	1.5
At 30 September 2000	**6.2**	**0.1**	**2.1**	**23.6**	**104.7**	**136.7**
Net book value						
At 30 September 2000	**769.1**	**40.4**	**28.9**	**29.7**	**125.1**	**993.2**
At 2 October 1999	648.7	41.1	15.8	26.2	117.2	849.0
Company						
Cost or valuation						
At 2 October 1999	652.6	41.7	16.8	–	–	711.1
Revaluation	(3.7)	(0.6)	(1.2)	–	–	(5.5)
Transfers between short and long leases	–	(10.6)	10.6	–	–	–
Additions	11.7	0.4	0.7	–	–	12.8
Transfers	(2.6)	0.4	2.2	–	–	–
Disposals	(49.2)	(4.4)	(1.5)	–	–	(55.1)
At 30 September 2000	**608.8**	**26.9**	**27.6**	**–**	**–**	**663.3**
Depreciation						
At 2 October 1999	3.9	0.6	2.1	–	–	6.6
Revaluation	(3.7)	(0.6)	(1.2)	–	–	(5.5)
Charge for the period	3.4	–	1.2	–	–	4.6
Depreciation on disposals	–	–	–	–	–	–
Impairment	1.4	0.1	–	–	–	1.5
At 30 September 2000	**5.0**	**0.1**	**2.1**	**–**	**–**	**7.2**
Net book value						
At 30 September 2000	**603.8**	**26.8**	**25.5**	**–**	**–**	**656.1**
At 2 October 1999	648.7	41.1	14.7	–	–	704.5

13 Tangible fixed assets continued

Group and Company

Cost or valuation of properties comprises	Group 2000 £m	Group 1999 £m	Company 2000 £m	Company 1999 £m
Valuation at 2 October 1999	**373.2**	400.9	**373.2**	399.8
At cost	**473.6**	311.3	**290.1**	311.3
	846.8	712.2	**663.3**	711.1

At 2 October 1999, Chesterton International plc, Chartered Surveyors revalued the Group's breweries and maltings on the basis of depreciated replacement cost. The remainder of the Groups estate was also revalued on 2 October 1999 by Christie & Co, Chartered Surveyors, on the basis of open market value for existing use.

At 22 December 1999, Chesterton International plc, Chartered Surveyor revalued the Mansfield brewery and maltings on the basis of depreciated replacement costs. The remainder of the Mansfield estate was also revalued on 22 December 1999 by Christie & Co, Chartered Surveyors, on the basis of open market value for existing use.

The Directors reviewed the full estate following the Mansfield valuations and as a result have made an impairment charge of £1.5m.

Cost at 30 September 2000 includes £0.1m (1999: £1.4m) of assets in the course of construction.

Capital expenditure authorised and committed but not provided in the accounts was £2.5m (1999: £4.4m). If the freehold and leasehold properties had not been revalued, the historical net book value would be £667.7m (1999: £522.6m).

14 Fixed asset investments

Group	Own shares £m	Trade loans £m	Investments £m	Other loans £m	**Total £m**
At 2 October 1999	4.7	68.6	–	0.1	**73.4**
Additions	–	9.7	0.4	0.9	**11.0**
On acquisition	–	32.2	–	–	**32.2**
Disposals, repayments and provisions	–	(34.3)	–	(0.4)	**(34.7)**
At 30 September 2000	**4.7**	**76.2**	**0.4**	**0.6**	**81.9**

Company	Own shares £m	Subsidiary undertakings £m	Investments £m	Other loans £m	**Total £m**
At 2 October 1999	4.7	1.0	–	0.1	**5.8**
Additions	–	–	0.4	0.9	**1.3**
Disposals, repayments and provisions	–	–	–	(0.4)	**(0.4)**
At 30 September 2000	**4.7**	**1.0**	**0.4**	**0.6**	**6.7**

The market value of listed investments held at 30 September 2000 was £25,000 (1999: £46,000).

14 Fixed asset investments continued

The principal subsidiary companies are:	Country of registration	Nature of business	Number of shares held	% held	Class of share
Wolverhampton & Dudley Breweries (Trading) Limited	England	Pub retailer	1,000	100	Ordinary £5 shares
Banks's Brewery Insurance Limited	Guernsey	Insurance	1,000,000	100	Ordinary £1 shares
Pitcher & Piano Limited	England	Pub retailer	343,750	100	Ordinary £1 shares
W.&D. PLC	England	Holding company	50,000	100	Ordinary £1 shares
W&DB (Finance) PLC	England	Holding company	50,000	100	Ordinary £1 shares
Mansfield Brewery Limited	England	Pub retailer	5,250	100	Ordinary £1 shares
Mansfield Inns Limited	England	Pub retailer	10,000	100	Ordinary £1 shares
Mansfield Brewery Trading Limited	England	Pub retailer	5,250,000	100	Ordinary £1 shares

Details of the principal operating subsidiaries by type of business are set out above. A complete list of subsidiary undertakings is available at the Company's registered office. All subsidiaries have been included in the consolidated financial statements.

During the 53 week period ended 3 October 1998 the Group established an Employee Share Ownership Plan (ESOP). Included within fixed asset investments is £4.7m (1999: £4.7m) relating to the purchase of 915,000 ordinary shares of 25p each which are held in the ESOP, pursuant to the Company's Executive Share Option Schemes. The trustee of the ESOP is the Company's wholly owned subsidiary, Banks's Brewery Insurance Limited. The market value of the shares shown above as at 30 September 2000 is £4.3m (1999: £5.2m).

As at 30 September 2000, share options totalling 892,055 have been granted to the members of the Executive Share Option Schemes over the shares in the trust. The options are exercisable at prices between 516.0p and 565.0p per share between 2001 and 2010. The Directors' interests in the shares in the trust are disclosed in the Directors' report. Dividends on the shares have been waived by the trust.

15 Stocks

	Group		Company	
	2000 £m	1999 £m	**2000 £m**	1999 £m
Raw materials and consumables	**5.9**	4.6	**–**	–
Work in progress	**0.7**	1.2	**–**	–
Finished goods	**12.8**	8.8	**–**	–
	19.4	14.6	**–**	–
Total stocks at replacement cost	**19.8**	14.9	**–**	–

16 Debtors

	Group		Company	
Amounts falling due within one year	**2000 £m**	1999 £m	**2000 £m**	1999 £m
Trade debtors	**30.9**	27.3	**–**	–
Amounts due from subsidiary undertakings	**–**	–	**268.8**	189.1
Other debtors	**0.8**	0.8	**–**	–
Prepayments and accrued income	**17.4**	5.4	**–**	–
Advance corporation tax recoverable	**–**	9.7	**–**	9.7
Deferred taxation (see note 8)	**4.2**	4.1	**7.3**	3.5
	53.3	47.3	**276.1**	202.3

17 Creditors

Amounts falling due within one year	Group 2000 £m	Group 1999 £m	Company 2000 £m	Company 1999 £m
Bank loan	**40.0**	–	**40.0**	–
Loan stock	**0.1**	0.7	**0.1**	0.7
Other loans	**0.3**	–	**–**	–
Trade creditors	**21.4**	30.3	**–**	–
Finance leases	**0.6**	–	**–**	–
Amount due to subsidiary undertakings	**–**	–	**208.5**	268.4
Corporation tax	**9.5**	15.1	**5.2**	7.7
Other taxation and social security	**16.8**	13.6	**0.6**	–
Other creditors	**15.6**	17.5	**4.9**	–
Dividends	**14.6**	10.4	**14.6**	10.4
Accruals and deferred income	**30.6**	20.4	**4.0**	0.5
	149.5	108.0	**277.9**	287.7

18 Creditors

Amounts falling due after more than one year	Group 2000 £m	Group 1999 £m	Company 2000 £m	Company 1999 £m
Bank loans	**320.0**	273.0	**–**	60.3
Other loans	**0.4**	–	**–**	–
Other creditors	**18.3**	–	**–**	–
Finance leases	**0.9**	–	**–**	–
Debenture loans	**217.6**	167.8	**167.8**	167.8
	557.2	440.8	**167.8**	228.1

Other creditors' maturity profile is as follows: due between one and two years £2.6m, two and five years £6.9m and greater than five years £8.8m.

Financial instruments

The Group's financial instruments, other than derivatives, comprise debentures, preference shares, bank borrowings (loans and overdrafts), other loans, finance leases and cash. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial instruments such as trade debtors and trade creditors that arise directly from its operations, which have not been included in the following disclosures.

The Group only enters into interest rate swaps and other interest rate hedging instruments. The purpose of these transactions is to manage the interest rate risks arising from the Group's operations and its sources of finance.

It is, and has been throughout the period under review, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are interest rate risk and liquidity risk. The Board regularly reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group finances its operations through a mixture of retained profits, debentures and bank borrowings. The Group borrows at both fixed and floating rates of interest and then uses interest rate swaps to generate the desired interest profile and to manage the Group's exposure to interest rate fluctuations.

The Group's aim is to reduce the risk of exposure to market rate fluctuations in interest movements in the medium term.

Liquidity risk

The Group's policy is to ensure continuity of funding and in particular to ensure that debt requirements for the medium term are available through committed facilities. In addition, having regard to the longevity of the Group's assets, secured debentures are regarded as being suitable debt instruments.

Short-term flexibility is achieved by the use of overdraft facilities and other uncommitted facilities.

Currency risk

The Group has no material exposure to currency rate risk.

18 Creditors continued

Interest rate risk profile of financial liabilities

The interest rate risk profile of the Group's financial liabilities after taking account of interest rate swaps was:

	2000			1999		
	Floating rate financial liabilities £m	**Fixed rate financial liabilities £m**	**Total £m**	Floating rate financial liabilities £m	Fixed rate financial liabilities £m	Total £m
Debentures and loan stock	**–**	**217.7**	**217.7**	–	168.5	168.5
Revolving credit facility and bridging loan	**203.0**	**–**	**203.0**	68.0	55.0	123.0
Term loan	**82.0**	**75.0**	**157.0**	150.0	–	150.0
Other loans	**–**	**0.7**	**0.7**	–	–	–
Finance leases	**–**	**1.5**	**1.5**	–	–	–
Preference shares	**–**	**0.1**	**0.1**	–	0.1	0.1
	285.0	**295.0**	**580.0**	218.0	223.6	441.6

The effect of the Group's interest rate swaps and other hedging instruments is to treat £75.0m (1999: £55.0m) of borrowings in the above table as fixed. Floating rate borrowings bear interest based on LIBOR. The Group's debentures are secured by a floating charge in favour of the Law Debenture Trust Corporation Plc, over the whole of the undertaking, property and assets of the Company, both present and future.

	2000 Fixed rate financial liabilities		1999 Fixed rate financial liabilities	
	Weighted average interest rate %	**Weighted average period for which rate is fixed Years**	Weighted average interest rate %	Weight average period for which rate is fixed Years
Sterling	**7.48**	**20**	7.48	20

Maturity of financial liabilities

The maturity profile of the Group's financial liabilities was as follows:

	2000		1999	
	Group £m	**Company £m**	Group £m	Company £m
Due within one year	**41.0**	**40.1**	0.7	–
Due between one and two years	**140.8**	**–**	–	–
Due within two to five years	**180.5**	**–**	273.0	60.3
After five years	**217.7**	**167.9**	167.9	167.9
	580.0	**208.0**	441.6	228.2

An amount of £103.0m has been drawn under a four year revolving credit facility expiring in 2004. Although this is negotiated annually it has been categorised as repayable between two and five years.

Borrowing facilities

The Group has the following undrawn committed borrowing facilities available:

	2000 £m	1999 £m
Expiring after two years	**100.0**	42.0

18 Creditors continued

Fair values of financial assets and liabilities

Set out below is a comparison by category of book values and fair values of the Group's financial assets and liabilities:

Primary financial instruments held or issued to finance the Group's operations	2000 Book value £m	2000 Fair value £m	1999 Book value £m	1999 Fair value £m
Debentures and loan stock	**217.7**	**250.3**	168.5	186.2
Revolving credit facility and bridging loan	**203.0**	**206.9**	123.0	126.1
Term loan	**157.0**	**163.0**	150.0	153.1
Other loans	**0.7**	**0.1**	–	–
Finance leases	**1.5**	**1.6**	–	–
Preference shares	**0.1**	**0.3**	0.1	0.1
Cash	**(7.8)**	**(7.8)**	(7.5)	(7.5)
Free trade loans	**(76.2)**	**(76.2)**	(68.6)	(68.6)
	496.0	**538.2**	365.5	389.4
Derivative financial instruments held to manage interest costs				
Interest rate swaps	**–**	**(1.3)**	–	(1.0)
Interest rate collars	**–**	**(0.3)**	–	(0.4)
Forward start swaps	**–**	**0.1**	–	7.1

The fair values of the interest rate swaps, interest rate collars, forward start swaps and long-term hedging instruments which have no book value have been determined by reference to prices available from the markets on which the instruments involved are traded. All other fair values have been calculated by discounting cash flows at prevailing interest rates.

Hedges

As explained above, the Group's policy is to hedge interest rate risk using interest rate swaps, caps and collars. Gains and losses on instruments used for hedging are not recognised until the exposure that is being hedged is itself recognised. Unrecognised gains and losses on instruments used for hedging are as follows:

	Gains £m	Losses £m	Total net gains/(losses) £m
As at 2 October 1999	7.1	(1.4)	5.7
Arising in period	(6.6)	(0.6)	(7.2)
Unrecognised gains and losses on hedges at 30 September 2000	0.5	(2.0)	(1.5)
Expected to be recognised in greater than one year	0.5	(2.0)	(1.5)

Other instruments

Additional disclosure on financial instruments is made in the Finance Director's review on pages 10 to 12.

Throughout the year the Group adhered to the financial instruments policy given by the Board.

19 Acquisition of subsidiary undertakings

Marston, Thompson & Evershed Limited

As intimated in last year's accounts we now report on the final goodwill figure arising on our acquisition of Marston, Thompson & Evershed, plc (now Limited).

	Book value £m	Revaluation £m	Alignment of accounting policies £m	Fair value adjustments £m	Final fair value of acquisition £m
Fixed assets	379.5	14.5	4.3	(11.7)	386.6
Investments	22.7	–	(0.3)	(0.4)	22.0
Stock	7.6	–	(0.4)	(0.3)	6.9
Debtors	14.4	–	(0.6)	(0.7)	13.1
Cash	(81.0)	–	–	–	(81.0)
Creditors	(80.7)	–	(0.2)	(12.1)	(93.0)
Taxation	–	–	(2.9)	3.1	0.2
Minority interest	(0.2)	–	–	–	(0.2)
Net assets acquired	262.3	14.5	(0.1)	(22.1)	254.6

19 Acquisition of subsidiary undertakings continued

	£m
Consideration	
Cash	220.1
Share capital	75.4
Total consideration	295.5
Goodwill arising on consolidation	40.9

The final goodwill figure is £4.0m higher than the provisional figure disclosed in the 1999 accounts. The principal components of this increase were £2.5m being partial provision for deferred taxation at the date of acquisition, £0.5m increase in debt provisions and certain other small adjustments.

Mansfield Brewery Limited

On 22 December 1999, the Group acquired the whole of the issued share capital of the Mansfield Brewery, plc (now Limited). The acquisition has been accounted for under acquisition accounting principles and is therefore included in the consolidated balance sheet as at 30 September 2000.

	Book value £m	Revaluation £m	Alignment of accounting policies £m	Fair value adjustments £m	Provisional fair value at acquisition £m
Fixed assets	283.4	(50.9)	2.3	(1.6)	233.2
Investments	32.3	–	(0.1)	–	32.2
Stock	5.9	–	(0.1)	(1.0)	4.8
Debtors	21.6	–	(1.0)	(2.7)	17.9
Cash	(60.9)	–	–	–	(60.9)
Creditors	(85.7)	–	–	(17.9)	(103.6)
Taxation	–	–	–	2.4	2.4
Net assets acquired	196.6	(50.9)	1.1	(20.8)	126.0

	£m
Consideration	
Cash	129.1
Share capital	121.3
Total consideration	250.4
Provisional goodwill arising on acquisition	**124.4**

The net cash outflow in respect of the purchase of subsidiary undertakings comprises:

	2000 £m	1999 £m
Cash consideration	**(129.2)**	(220.0)
Bank overdraft	**(60.9)**	(81.0)
	(190.1)	(301.0)

Accounting policy harmonisation adjustments were required to bring Mansfield into line with Group policies. The main policy alignment adjustment was in respect of depreciation.

Within fair value adjustments, there is a decrease in the value of the estate of £50.9m and a number of adjustments to the carrying value of fixed assets totalling £1.6m. The stock provision relates to obsolete and slow moving stock. The adjustment to debtors relates to bad debt provisions. The creditors adjustment mainly relates to the recognition of the market value of Mansfield debentures and interest rate swaps. The increase in taxation is the deferred tax asset arising on the recognition of the market values of the debentures and interest rate swaps, together with provisions for corporation tax.

All fair value adjustments will be reviewed during 2000/2001.

From 1 April 1999 to 22 December 1999 Mansfield had sales of £138.9m and operating profit of £18.4m; profit after tax was £8.6m after exceptional items of £4.8m.

There is no difference between profit after tax and recognised gains and losses for the period. The assets acquired were absorbed into the accounting records of W&DB and consequently it has not been possible to calculate the effect of the acquisition on the Group cash flow statement.

20 Share capital (Group and Company)

	Authorised				Issued and fully paid			
	2000		1999		**2000**		1999	
	Number 000	**Value £000**	Number 000	Value £000	**Number 000**	**Value £000**	Number 000	Value £000
Preference shares of £1 each (non-equity)	**75**	**75**	75	75	**75**	**75**	75	75
Ordinary shares of 25p each (equity)	**120,000**	**30,000**	80,000	20,000	**94,414**	**23,603**	71,879	17,970
Closing balance		**30,075**		20,075		**23,678**		18,045

22,412,743 ordinary shares were issued following the acquisition of Mansfield at a value of £121.3m.

A total of 121,842 ordinary shares were issued during the 52 week period ended 30 September 2000 pursuant to the exercise of Executive and SAYE share options at exercise prices ranging from 311.0p to 523.5p. The aggregate consideration in respect of these exercises was £511,380. The 75,000 preference shares of £1 each carry the right to a fixed preferential dividend. They participate in the event of a winding-up and carry the right to attend and to vote at general meetings of the Company.

As at 30 September 2000 there were 3,820,006 Executive share options outstanding at prices from 325.5p to 683.5p per share exercisable between 2000 and 2010 and 1,651,015 SAYE options outstanding at prices from 277.0p to 511.0p per share exercisable between 2000 and 2007, see page 17 for details of Directors' share options.

21 Reserves

	Group					Company				
	Share premium account £m	Revaluation reserve £m	Capital redemption reserve £m	Capital reserve £m	Profit and loss account £m	Share premium account £m	Revaluation reserve £m	Capital redemption reserve £m	Capital reserve £m	Profit and loss account £m
Balance at 2 October 1999	82.7	178.6	3.2	0.4	195.6	82.7	178.4	3.2	0.4	167.2
Premium arising on issue of shares	116.2	–	–	–	–	116.2	–	–	–	–
Revaluation	–	(0.8)	–	–	–	–	(0.8)	–	–	–
Disposal of properties	–	(7.2)	–	–	7.2	–	(7.2)	–	–	7.2
Loss for the period transferred to reserves	–	–	–	–	(10.0)	–	–	–	–	(5.5)
Balance at 30 September 2000	**198.9**	**170.6**	**3.2**	**0.4**	**192.8**	**198.9**	**170.4**	**3.2**	**0.4**	**168.9**

22 Reconciliation of operating profit to net cash inflow from operating activities

	2000 £m	1999 £m
Operating profit after goodwill amortisation and exceptional items	**64.8**	37.8
Profit on property and investment disposals	**4.6**	0.7
	69.4	38.5
Goodwill amortisation	**7.0**	1.2
Income from fixed asset investments	**(1.7)**	(0.9)
Depreciation charge	**34.1**	25.3
Profit on sale of fixed assets	**(4.5)**	(1.4)
Pension cost provision	**0.2**	0.4
Decrease in stocks	**0.9**	1.3
Decrease in debtors	**1.2**	12.6
Unamortised arrangement costs of new bank loan	**2.5**	0.4
(Decrease) in creditors	**(9.5)**	(2.0)
Exceptional costs with no cash impact	**17.9**	28.3
Net cash inflow from operating activities	**117.5**	103.7

23 Analysis of net debt

	2000 £m	Cash flow £m	Non-cash flow £m	Acquisition (non-cash) £m	1999 £m
Cash at bank	**7.8**	0.3	–	–	7.5
Debt due within one year					
Loan stock	**(0.1)**	0.6	–	–	(0.7)
Bank loan	**(40.0)**	(40.0)	–	–	–
Other loans	**(0.3)**	1.0	(0.6)	(0.7)	–
Finance leases	**(0.6)**	0.5	(0.5)	(0.6)	–
	(41.0)	(37.9)	(1.1)	(1.3)	(0.7)
Debt due after one year					
Bank loan	**(320.0)**	(47.0)	–	–	(273.0)
Other loans	**(0.4)**	–	0.6	(1.0)	–
Finance leases	**(0.9)**	–	0.5	(1.4)	–
Debentures	**(217.6)**	–	–	(49.8)	(167.8)
	(538.9)	(47.0)	1.1	(52.2)	(440.8)
	(572.1)	(84.6)	–	(53.5)	(434.0)

24 Post balance sheet events

The Group is currently carrying out a strategic review and will inform shareholders of its conclusions as soon as possible.

25 Operating lease commitments

At 30 September 2000 the Group was committed to making the following payments during the next year in respect of operating leases:

	Land and buildings		Other	
	2000 £m	1999 £m	**2000 £m**	1999 £m
Leases which expire:				
Within one year	**–**	–	**0.2**	–
Within two to five years	**0.1**	0.1	**0.8**	–
After five years	**7.6**	4.3	**–**	–
	7.7	4.4	**1.0**	–

Five year record

	2000 £m	1999 £m	1998 £m	1997 £m	1996 £m
Turnover					
Continuing operations	**468.8**	281.7	285.7	275.6	249.7
Acquisitions	**130.0**	133.8	–	–	–
Total	**598.8**	415.5	285.7	275.6	249.7
Profit before goodwill amortisation, exceptional items and FRS 15	**68.9**	50.2	45.0	43.0	43.0
Exceptional items	**(34.5)**	(41.8)	(0.9)	(2.7)	–
Profit/(loss) on property and investment disposals	**4.6**	0.7	0.1	(0.1)	0.2
FRS 15	**(3.9)**	–	–	–	–
Goodwill amortisation	**(7.0)**	(1.2)	–	–	–
Profit before taxation	**28.1**	7.9	44.2	40.2	43.2
Taxation	**(15.6)**	(11.8)	(12.3)	(10.6)	(12.6)
Profit/(loss) after taxation	**12.5**	(3.9)	31.9	29.6	30.6
Capital employed	**589.6**	478.7	390.4	425.6	406.6
Earnings/(loss) per ordinary share	**14.1p**	(6.0p)	50.6p	43.9p	45.7p
Goodwill amortisation	**7.9p**	1.8p	–	–	–
FRS 15	**4.4p**	–	–	–	–
(Profit)/loss on property and investment disposals	**(5.2p)**	(1.1p)	(0.2p)	0.2p	(0.3p)
Exceptional items	**35.6p**	59.8p	1.2p	2.7p	–
Earnings per ordinary share before goodwill amortisation, exceptional items and FRS15	**56.8p**	54.5p	51.6p	46.8p	45.4p
Dividend per ordinary share	**24.0p**	22.6p	20.6p	18.7p	17.0p
Retail price index	**111.6**	108.1	106.9	103.6	100.0
Earnings per share growth	**30.9**	(13.1)	110.7	96.1	100.0
Earnings per share before goodwill amortisation, exceptional items and FRS 15	**125.1**	120.0	113.7	103.1	100.0
Dividend growth	**141.3**	133.2	121.0	110.0	100.0

Equivalent market prices on 31 March 1982

Preference shares	34.5p per £1 share
Ordinary shares	94.5p per 25p share

Notice of meeting

Notice is hereby given that the one hundred and thirteenth annual general meeting of The Wolverhampton & Dudley Breweries, PLC will be held at Wolverhampton Wanderers Football Club, Waterloo Road, Wolverhampton WV1 4QR on Friday, 26 January 2001 at 1200 hours for the following purposes:

Ordinary business

1 To receive and to adopt the Company's accounts and the reports of the Directors and Auditors for the 52 weeks ended 30 September 2000.
2 To declare and to confirm dividends.
3 To elect P W Lipscomb as a Director.
4 To re-elect D G F Thompson as a Director.
5 To re-elect D Andrew as a Director.
6 To re-appoint PricewaterhouseCoopers as Auditors of the Company and to authorise the Directors to fix their remuneration.

Special business

To propose the following as an ordinary resolution:

7 That the Board be and it is hereby generally and unconditionally authorised to exercise all powers of the Company to allot relevant securities (within the meaning of Section 80 of the Companies Act 1985) up to an aggregate nominal amount of £7,867,793 provided that this authority shall expire on the date of the next annual general meeting of the Company after the passing of this resolution or, if earlier, 25 April 2002, save that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Board may allot relevant securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.

To propose the following as special resolutions:

8 That subject to the passing of the previous resolution the Board be and it is hereby empowered pursuant to Section 95 of the Companies Act 1985 to allot equity securities (within the meaning of Section 94 of the said Act) for cash pursuant to the authority conferred by the previous resolution as if sub-section (1) of Section 89 of the said Act did not apply to any such allotment provided that this power shall be limited:
   (a) to the allotment of equity securities in connection with a rights issue in favour of ordinary shareholders where the equity securities respectively attributable to the interests of all ordinary shareholders are proportionate (as nearly as may be) to the respective numbers of ordinary shares held by them, but subject to such exclusions or other arrangements as the Board may deem necessary or expedient to deal with fractional entitlements or legal problems which may arise in any overseas territory or under the requirements of any regulatory body or any stock exchange;
   (b) to the allotment (otherwise than pursuant to sub paragraph (a) above) of equity securities up to an aggregate nominal value of £1,180,168 and that this authority shall expire on the date of the next annual general meeting of the Company after the passing of this resolution or, if earlier, 25 April 2002, save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Board may allot equity securities in pursuance of such an offer or agreement as if the power conferred hereby had not expired.

9 That the Company be and it is generally and unconditionally authorised for the purposes of Section 166 of the Companies Act 1985 to make market purchases (as defined by Section 163(3) of the said Act) of ordinary shares of 25p each in its capital, subject as follows:
   (a) the maximum number of shares which may be so acquired is 14,152,586;
   (b) the minimum price which may be paid for such shares is 25p per share;
   (c) the maximum price which may be so paid for a share is a sum equal to 105% of the average of the middle market quotations of the ordinary shares of the Company in the Daily Official List of the London Stock Exchange for the five business days immediately preceding the day on which the share is contracted to be purchased; and
   (d) the authority conferred by this resolution shall expire on the date of the next annual general meeting of the Company after the passing of this resolution or, if earlier, 25 April 2002 (except in relation to the purchase of shares the contract for which was concluded before the expiry of such authority and which might be executed wholly or partly after such expiry).

By order of the Board
Leslie Porter *Secretary*
24 November 2000

Park Brewery
Wolverhampton

Notes

1 A member of the Company entitled to attend and to vote may appoint one or more proxies to attend and to vote instead. A proxy need not be a member. A proxy form is enclosed. Completed proxy forms must be received by the Registrar not less than 48 hours before the annual general meeting.

2 The Company, pursuant to Regulation 34 of the Uncertificated Securities Regulation 1995, specifies that only shareholders registered on the register of members of the Company at 6pm on 24 January 2001 shall be entitled to attend or vote at the meeting in respect of the number of shares registered in their name at that time. Changes to entries on the register of members after 6pm on 24 January 2001 shall be disregarded in determining the rights of any person to attend or vote at the meeting.

3 The following are available for inspection at Park Brewery during normal business hours from 22 December 2000 to 26 January 2001 and at the annual general meeting:
– the register of Directors' interests and those of their immediate families in the share capital of the Company;
– Directors' service contracts;
– a copy of the Company's memorandum and articles of association.

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